



**OFFICE OF AUDITOR OF STATE  
STATE OF IOWA**

David A. Vaudt, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

**NEWS RELEASE**

FOR RELEASE December 6, 2003

Contact: Andy Nielsen  
515/281-5515

Auditor of State David A. Vaudt today released an audit report on Adair County, Iowa.

Vaudt reported that the County had local tax revenue of \$10,386,837 for the year ended June 30, 2003, which included \$687,596 in tax credits from the state. The County forwarded \$7,811,820 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$2,575,017 of the local tax revenue to finance County operations, a 4 percent increase from the prior year. Other revenues included \$2,937,635 from the state, including indirect federal funding, and \$140,108 in interest on investments.

Expenditures for County operations totaled \$6,619,537, a 5 percent decrease from the prior year. Expenditures included \$3,429,358 for roads and transportation, \$764,704 for public safety and legal services and \$711,682 for mental health.

This report contained recommendations to the Board of Supervisors and other County Officials. For example, the County Treasurer should review operating procedures to obtain maximum internal control over bank reconciliations and mail receipts. County officials responded favorably to the recommendations.

A copy of the audit report is available for review in the Office of Auditor of State and the County Auditor's office.

# # #



**ADAIR COUNTY**  
**INDEPENDENT AUDITOR'S REPORTS**  
**FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION**  
**SCHEDULE OF FINDINGS**  
**JUNE 30, 2003**

## Table of Contents

	Page
Officials	3
Independent Auditor's Report	5-6
General Purpose Financial Statements:	<u>Exhibit</u>
Combined Balance Sheet – All Fund Types and Account Groups	A 8-11
Combined Statement of Revenues, Expenditures and Changes in Fund Balances – All Governmental Fund Types and Expendable Trust Fund	B 12-15
Comparison of Receipts, Disbursements and Changes in Balances – Actual to Budget (Cash Basis) – All Governmental Fund Types and Expendable Trust Fund	C 16
Statement of Revenues, Expenses and Changes in Retained Earnings – Proprietary Fund Type	D 17
Statement of Cash Flows – Proprietary Fund Type	E 18
Notes to Financial Statements	19-31
Supplemental Information:	<u>Schedule</u>
General Fund:	
Statement of Revenues, Expenditures and Changes in Fund Balance	1 34-35
Statement of Expenditures	2 36-38
Special Revenue Funds:	
Combining Balance Sheet	3 40-41
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	4 42-49
Capital Projects Fund:	
Statement of Revenues, Expenditures and Changes in Fund Balance	5 50
Trust and Agency Funds:	
Combining Balance Sheet	6 51
Statement of Revenues, Expenditures and Changes in Fund Balance – Expendable Trust Fund	7 52
Combining Balance Sheet – Agency Funds	8 54-57
Combining Statement of Changes in Assets and Liabilities - Agency Funds	9 58-61
Comparison of Taxes and Intergovernmental Revenues	10 62
Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting	63-64
Schedule of Findings	65-69
Staff	70

## **Adair County**

### **Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>(Before January 2003)</b>		
John VanVleet	Board of Supervisors	Jan 2003
Richard Hoadley	Board of Supervisors	Jan 2003
Marvin Ford	Board of Supervisors	Jan 2005
Richard Dolan	Board of Supervisors	Jan 2005
Robert Grasty	Board of Supervisors	Jan 2005
Jenice K. Wallace	County Auditor	Jan 2005
Constance Sheriff	County Treasurer	Jan 2003
Priscilla McClelland	County Recorder	Jan 2003
Randy Marchant	County Sheriff	Jan 2005
Clint Hight	County Attorney	Jan 2003
Kenneth E. Huddleson	County Assessor	Jan 2004
<b>(After January 2003)</b>		
Marvin Ford	Board of Supervisors	Jan 2005
Richard Dolan	Board of Supervisors	Jan 2005
Robert Grasty	Board of Supervisors	Jan 2005
John VanVleet	Board of Supervisors	Jan 2007
Richard Hoadley	Board of Supervisors	Jan 2007
Jenice K. Wallace	County Auditor	Jan 2005
Ronald Herr	County Treasurer	Jan 2007
Janelle Schneider	County Recorder	Jan 2007
Randy Marchant	County Sheriff	Jan 2005
Clint Hight	County Attorney	Jan 2007
Kenneth E. Huddleson	County Assessor	Jan 2004

**Adair County**



**OFFICE OF AUDITOR OF STATE  
STATE OF IOWA**

State Capitol Building  
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

David A. Vaudt, CPA  
Auditor of State

Independent Auditor's Report

To the Officials of Adair County:

We have audited the accompanying general purpose financial statements, listed as exhibits in the table of contents of this report, of Adair County, Iowa, as of and for the year ended June 30, 2003. These general purpose financial statements are the responsibility of Adair County's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Adair County at June 30, 2003, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with U.S. generally accepted accounting principles. Also, the Comparison of Receipts, Disbursements and Changes in Balances - Actual to Budget (Cash Basis) presents fairly, in all material respects, the cash transactions and the legally adopted budget of the governmental fund types and expendable trust fund of Adair County for the year ended June 30, 2003.

As discussed in Note 11, Adair County intends to implement Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Statement No. 37, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus; and Statement No. 38, Certain Financial Statement Note Disclosures, for the fiscal year ending June 30, 2004. The effects of these statements are expected to significantly impact the presentation of the County's financial statements and related notes in the year of implementation. The revised requirements include the use of the economic resources measurement focus and full accrual accounting, as well as an analytical overview of the County's financial activities in the Management's Discussion and Analysis introduction to the basic financial statements.

In accordance with Government Auditing Standards, we have also issued our report dated September 16, 2003 on our consideration of Adair County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. This report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the general purpose financial statements for the three years ended June 30, 2002 (none of which are presented herein) and expressed unqualified opinions on those financial statements. The supplemental information included in Schedules 1 through 10 is presented for purposes of additional analysis and is not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in our audit of the aforementioned financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

September 16, 2003



## **Financial Statements**

Adair County  
Combined Balance Sheet  
All Fund Types and Account Groups  
June 30, 2003

	Governmental Fund Types		
	General	Special Revenue	Capital Projects
<b>Assets and Other Debits</b>			
Cash and pooled investments:			
County Treasurer	\$ 659,345	1,927,886	3,401
Other County officials	-	-	-
Receivables:			
Delinquent property tax	14,100	15,405	-
Succeeding year property tax	1,324,000	1,311,000	-
Accounts	1,547	4,289	-
Special assessments	-	-	-
Accrued interest	16,486	646	-
Due from other funds (note 3)	25,403	240	-
Due from other governments	19,556	171,008	-
Inventories	-	179,761	-
Prepaid expenditures	83,562	79,926	-
Property and equipment (note 4)	-	-	-
Amount available for debt service	-	-	-
Amount to be provided for retirement of general long-term debt	-	-	-
<b>Total assets and other debits</b>	<u>\$ 2,143,999</u>	<u>3,690,161</u>	<u>3,401</u>

Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Total (Memorandum Only)
		General Fixed Assets	General Long-Term Debt	
Internal Service	Trust and Agency			
38,493	561,555	-	-	3,190,680
-	24,297	-	-	24,297
-	73,495	-	-	103,000
-	7,316,000	-	-	9,951,000
-	12	-	-	5,848
-	120,553	-	-	120,553
-	1,299	-	-	18,431
-	20	-	-	25,663
-	-	-	-	190,564
-	-	-	-	179,761
-	-	-	-	163,488
-	-	6,373,339	-	6,373,339
-	-	-	127,515	127,515
-	-	-	1,175,978	1,175,978
38,493	8,097,231	6,373,339	1,303,493	21,650,117

Adair County  
Combined Balance Sheet  
All Fund Types and Account Groups  
June 30, 2003

	Governmental Fund Types		
	General	Special Revenue	Capital Projects
<b>Liabilities, Fund Equity and Other Credits</b>			
Liabilities:			
Accounts payable	\$ 20,937	84,239	-
Salaries and benefits payable	19,502	48,036	-
Due to other funds (note 3)	-	-	-
Due to other governments (note 5)	6,057	61,442	-
Trusts payable	-	-	-
Deferred revenues:			
Delinquent property tax	14,100	15,405	-
Succeeding year property tax	1,324,000	1,311,000	-
Capital loan notes payable (note 7)	-	-	-
Compensated absences	10,128	22,245	-
Total liabilities	1,394,724	1,542,367	-
Fund equity and other credits:			
Investment in general fixed assets	-	-	-
Unreserved retained earnings	-	-	-
Fund balances:			
Reserved for:			
Supplemental levy purposes	13,235	-	-
Inventories	-	179,761	-
Prepaid expenditures	83,562	79,926	-
Debt service - sinking fund	-	4,515	-
Debt service - reserve fund	-	123,000	-
Unreserved	652,478	1,760,592	3,401
Total fund equity and other credits	749,275	2,147,794	3,401
<b>Total liabilities, fund equity and other credits</b>	<b>\$ 2,143,999</b>	<b>3,690,161</b>	<b>3,401</b>

See notes to financial statements.

Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Total (Memorandum Only)
		General Fixed Assets	General Long-Term Debt	
Internal Service	Trust and Agency			
3,142	641	-	-	108,959
-	856	-	-	68,394
-	25,663	-	-	25,663
-	7,850,190	-	-	7,917,689
-	5,815	-	-	5,815
-	-	-	-	29,505
-	-	-	-	2,635,000
-	-	-	1,197,000	1,197,000
-	1,704	-	106,493	140,570
3,142	7,884,869	-	1,303,493	12,128,595
-	-	6,373,339	-	6,373,339
35,351	-	-	-	35,351
-	-	-	-	13,235
-	-	-	-	179,761
-	-	-	-	163,488
-	-	-	-	4,515
-	-	-	-	123,000
-	212,362	-	-	2,628,833
35,351	212,362	6,373,339	-	9,521,522
38,493	8,097,231	6,373,339	1,303,493	21,650,117

Adair County

Combined Statement of Revenues, Expenditures and  
Changes in Fund Balances - All Governmental Fund Types  
and Expendable Trust Fund

Year ended June 30, 2003

	Governmental Fund Types		
	General	Special Revenue	Capital Projects
Revenues:			
Property and other county tax	\$ 1,217,115	1,189,298	-
Tax increment financing revenues	-	93,929	-
Interest and penalty on property tax	30,345	-	-
Intergovernmental	274,719	2,904,368	-
Licenses and permits	7,162	410	-
Charges for service	165,468	2,177	-
Use of money and property	133,918	6,121	-
Miscellaneous	1,453	15,985	-
Total revenues	1,830,180	4,212,288	-
Expenditures:			
Operating:			
Public safety and legal services	760,795	3,909	-
Physical health and social services	226,891	-	-
Mental health	-	711,682	-
County environment and education	235,416	93,486	-
Roads and transportation	-	3,429,358	-
Government services to residents	235,482	2,409	-
Administration	492,307	-	-
Debt service	-	131,275	-
Capital projects	-	101,496	158,918
Total expenditures	1,950,891	4,473,615	158,918
Excess (deficiency) of revenues over (under) expenditures	(120,711)	(261,327)	(158,918)

<u>Fiduciary Fund Type</u> Expendable Trust	Total (Memorandum Only)
-	2,406,413
-	93,929
-	30,345
36,150	3,215,237
-	7,572
55	167,700
8,452	148,491
19,000	36,438
63,657	6,106,125

-	764,704
-	226,891
-	711,682
-	328,902
-	3,429,358
-	237,891
-	492,307
-	131,275
36,113	296,527
36,113	6,619,537

27,544	(513,412)
--------	-----------

---

Adair County

Combined Statement of Revenues, Expenditures and  
Changes in Fund Balances - All Governmental Fund Types  
and Expendable Trust Fund

Year ended June 30, 2003

	<u>Governmental Fund Types</u>		
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>
Other financing sources (uses):			
Sale of general fixed assets	11,146	-	-
Operating transfers in	-	938,419	-
Operating transfers out	-	(938,419)	-
Total other financing sources (uses)	<u>11,146</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(109,565)	(261,327)	(158,918)
Fund balances beginning of year	861,087	2,387,786	162,319
Increase (decrease) in reserve for:			
Inventories	-	10,799	-
Prepaid expenditures	<u>(2,247)</u>	<u>10,536</u>	<u>-</u>
Fund balances end of year	<u>\$ 749,275</u>	<u>2,147,794</u>	<u>3,401</u>

See notes to financial statements.



<u>Fiduciary Fund Type</u> Expendable Trust	Total (Memorandum Only)
-	11,146
-	938,419
-	(938,419)
-	11,146
27,544	(502,266)
184,818	3,596,010
-	10,799
-	8,289
212,362	3,112,832

**Exhibit C**

## Adair County

Comparison of Receipts, Disbursements and  
Changes in Balances – Actual to Budget (Cash Basis)  
All Governmental Fund Types and Expendable Trust Fund

Year ended June 30, 2003

	Actual	Amended Budget	Variance - Favorable (Unfavorable)	Actual as % of Amended Budget
Receipts:				
Property and other County tax	\$ 2,500,343	2,483,738	16,605	101%
Interest and penalty on property tax	30,345	29,200	1,145	104%
Intergovernmental	3,245,971	3,134,588	111,383	104%
Licenses and permits	7,602	6,800	802	112%
Charges for service	160,840	162,094	(1,254)	99%
Use of money and property	167,582	159,836	7,746	105%
Miscellaneous	32,416	32,463	(47)	100%
Total receipts	6,145,099	6,008,719	136,380	102%
Disbursements:				
Public safety and legal services	758,489	774,612	16,123	98%
Physical health and social services	228,886	274,387	45,501	83%
Mental health	714,450	767,350	52,900	93%
County environment and education	320,016	327,345	7,329	98%
Roads and transportation	3,373,936	3,490,155	116,219	97%
Government services to residents	237,608	244,725	7,117	97%
Administration	492,131	522,034	29,903	94%
Debt service	131,275	150,550	19,275	87%
Capital projects	332,426	364,113	31,687	91%
Total disbursements	6,589,217	6,915,271	326,054	95%
Deficiency of receipts under disbursements	(444,118)	(906,552)		
Other financing sources, net	11,146	7,625		
Deficiency of receipts and other financing sources under disbursements and other financing uses	(432,972)	(898,927)		
Balance beginning of year	3,234,647	3,236,250		
Balance end of year	\$ 2,801,675	2,337,323		

See notes to financial statements.

Adair County  
Statement of Revenues, Expenses and Changes in  
Retained Earnings

Proprietary Fund Type

Year ended June 30, 2003

		<u>Internal Service - Employee Health Insurance</u>
Operating revenues:		
Contributions and reimbursements from operating funds and other governmental units		\$ 10,956
Reimbursements from employees		<u>1,098</u>
Total operating revenues		12,054
Operating expenses:		
Medical claims	\$ 7,411	
Administrative fees	<u>1,180</u>	<u>8,591</u>
Operating income		3,463
Non-operating revenues:		
Interest on investments		<u>444</u>
Net income		3,907
Retained earnings beginning of year		<u>31,444</u>
Retained earnings end of year		<u><u>\$ 35,351</u></u>

See notes to financial statements.

**Exhibit E**

---

Adair County  
Statement of Cash Flows  
Proprietary Fund Type  
Year ended June 30, 2003

	<u>Internal Service - Employee Health Insurance</u>
Cash flows from operating activities:	
Cash received from operating fund reimbursements	\$ 10,956
Cash received from employees	1,098
Cash payments to suppliers for services	<u>(7,413)</u>
Net cash provided by operating activities	4,641
Cash flows from investing activities:	
Interest on investments	<u>444</u>
Net increase in cash equivalents	5,085
Cash and cash equivalents at beginning of year	<u>33,408</u>
Cash and cash equivalents at end of year	<u><u>\$ 38,493</u></u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>	
Operating income	\$ 3,463
Adjustments to reconcile operating income to net cash provided by operating activities:	
Increase in accounts payable	<u>1,178</u>
Net cash provided by operating activities	<u><u>\$ 4,641</u></u>

See notes to financial statements.

Adair County

Notes to Financial Statements

June 30, 2003

**(1) Summary of Significant Accounting Policies**

Adair County is a political subdivision of the State of Iowa and operates under the Home Rule provisions of the Constitution of Iowa. The County operates under the Board of Supervisors form of government. Elections are on a partisan basis. Other elected officials operate independently with the Board of Supervisors. These officials are the Auditor, Treasurer, Recorder, Sheriff, and Attorney. The County provides numerous services to citizens, including law enforcement, health and social services, parks and cultural activities, planning and zoning, roadway construction and maintenance, and general administrative services.

**A. Reporting Entity**

For financial reporting purposes, Adair County has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The County has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the County to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the County. The County has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The County participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Adair County Assessor's Conference Board, Three Mile Reservoir Agency, Adair County Sanitary Landfill and Recycling Center, Emergency Management Commission and South Central Iowa Regional E911 Service Board. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in an Agency Fund of the County.

**B. Fund Accounting**

The accounts of the County are organized on the basis of funds and account groups, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its assets, liabilities, fund balances, revenues and expenditures or expenses. The various funds and account groups and their designated purposes are as follows:

## Governmental Funds

General Fund – The General Fund is the general operating fund of the County. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue Funds – The Special Revenue Funds are used to account for revenues derived from specific sources which are usually required by law or regulation to be accounted for in separate funds.

Capital Projects Fund – The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities.

## Proprietary Fund

Internal Service Fund – The Internal Service Fund is utilized to account for the financing of goods or services purchased by one department of the County and provided to other departments or agencies on a cost-reimbursement basis.

## Fiduciary Funds

Trust Funds – The Trust Funds are used to account for assets held by the County in a trustee capacity. This includes an Expendable Trust Fund which is accounted for in essentially the same manner as Governmental Funds.

Agency Funds – The Agency Funds are used to account for assets held by the County as an agent for individuals, private organizations, certain jointly governed organizations, other governmental units and/or other funds. Agency Funds are custodial in nature, assets equal liabilities, and do not involve measurement of results of operations.

## Account Groups

General Fixed Assets – This account group is established to account for the general fixed assets of the County.

General Long-Term Debt – This account group is established to account for long-term debt of the County. Long-term liabilities expected to be financed from Governmental Funds are accounted for in this Account Group, not in the Governmental Funds.

## C. Measurement Focus

Governmental Funds and the Expendable Trust Fund are accounted for on a spending or “financial flow” measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance is considered a measure of “available spendable resources.” Governmental Fund and Expendable Trust Fund operating statements present increases, revenues and other financing sources, and decreases, expenditures and other financing uses in net current assets. Accordingly, they are said to

present a summary of sources and uses of “available spendable resources” during a period.

Proprietary Funds are accounted for on a cost of services or “capital maintenance” measurement focus. This means that all assets and liabilities, whether current or non-current, associated with their activity are included on their balance sheets. Their reported fund equity, net total assets, is reported as retained earnings. Proprietary Fund type operating statements present increases (revenue) and decreases (expenses) in net total assets.

In reporting the financial activity of its Proprietary Funds, the County applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

#### D. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All Governmental Funds and the Expendable Trust Fund are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when they become both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the liability is incurred, except for unmatured interest on general long-term debt, which is recognized when due. Disbursements for the purchase of assets providing future benefits are recorded as expenditures at time of purchase.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the County.

All Proprietary Funds are accounted for using the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

The assets and liabilities of the Agency Funds are accounted for using the modified accrual basis of accounting.

The County maintains its financial records on the cash basis. The financial statements of the County are prepared by making memorandum adjusting entries to the cash basis financial records.

E. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the combined balance sheet:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund, unless otherwise provided by law. Investments are stated at fair value except for the investment in the Iowa Public Agency Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable – Property tax in Governmental Funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the County Board of Supervisors. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2001 assessed property valuations, is for the tax accrual period July 1, 2002 through June 30, 2003, and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2002.

Due from and Due to Other Funds – During the course of its operations, the County has numerous transactions between funds. To the extent that certain transactions between funds had not been paid or received as of June 30, 2003, balances of interfund amounts receivable or payable have been recorded.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements.

Inventories – Inventories are valued at cost using the first-in, first-out method. Inventories in the Special Revenue Funds consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are purchased. Reported inventories are equally offset by a fund balance reserve which indicates that they are not available to liquidate current obligations.



General Fixed Assets – General fixed assets are recorded as expenditures in the Governmental Funds and are capitalized (recorded and accounted for) in the General Fixed Assets Account Group. Assets in this account group are recorded at historical cost. Assets acquired by gift are accounted for at fair market value at the date of the gift. The General Fixed Assets Account Group excludes public domain or “infrastructure” general fixed assets such as roads, bridges, curbs, gutters, streets, sidewalks and similar assets that are immovable and of value only to the government.

In accordance with standards set forth by the Governmental Accounting Standards Board, depreciation expense is not recorded on the balance sheet for general fixed assets. At the time an asset is removed from service, the cost is removed from the General Fixed Assets Account Group. Maintenance and repairs are recorded as expenditures in the Governmental Funds as incurred and are not capitalized.

During the year ended June 30, 2003, no interest costs were capitalized since the County’s policy is not to capitalize interest costs on assets constructed or acquired with tax-exempt debt paid for from annual debt service tax levies.

Due to Other Governments – Due to other governments represents taxes and other revenues collected by the County and payments for services which will be remitted to other governments.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds, the succeeding year property tax receivable, as well as property tax receivables and other receivables not collected within sixty days after year end.

Compensated Absences – County employees accumulate a limited amount of earned but unused compensatory time, vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. Accumulated sick leave is generally paid at 25%, not to exceed 90 days, upon retirement. Certain employees are annually paid for 20% of sick leave hours in excess of 90 days. For Agency Funds, these accumulations are recorded as liabilities in the year earned. In the Governmental Funds, the cost of vacation and sick leave payments expected to be liquidated currently are recorded as liabilities of the Governmental Fund Type. A liability has been recorded in the General Long-Term Debt Account Group representing the County’s commitment to fund non-current compensated absences. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2003.

Unreserved Retained Earnings – The unreserved retained earnings of the Employee Health Insurance Fund is designated for anticipated future catastrophic losses of the County.

F. Budgets and Budgetary Accounting

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service and Agency Funds, and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon major classes of expenditures known as functions, not by fund or fund type. These functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, government services to residents, administration, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Capital Projects Fund and Expendable Trust Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not at the fund or fund type level. Legal budgetary control is also based upon the appropriation to each office or department.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council, for the County Assessor by the County Conference Board and for Emergency Management Services by the County Emergency Management Commission.

Exhibit C is a comparison of cash basis receipts, disbursements and changes in balances with the cash basis budget, which is legally controlled by function, not fund type. Operations and ending fund balances on the cash and modified accrual basis have been reconciled as follows:

	Governmental Fund Types					
	General			Special Revenue		
	Cash	Accrual	Modified	Cash	Accrual	Modified
	Basis	Adjust- ments	Accrual Basis	Basis	Adjust- ments	Accrual Basis
Revenues	\$ 1,847,173	(16,993)	1,830,180	4,234,016	(21,728)	4,212,288
Expenditures	1,937,902	12,989	1,950,891	4,420,385	53,230	4,473,615
Net	(90,729)	(29,982)	(120,711)	(186,369)	(74,958)	(261,327)
Other financing sources (uses)	11,146	-	11,146	-	-	-
Beginning fund balances	738,928	122,159	861,087	2,114,255	273,531	2,387,786
Increase (decrease) in reserve for:						
Inventories	-	-	-	-	10,799	10,799
Prepaid expenditures	-	(2,247)	(2,247)	-	10,536	10,536
Ending fund balances	\$ 659,345	89,930	749,275	1,927,886	219,908	2,147,794

	Governmental Fund Types			Fiduciary Fund Type		
	Capital Projects			Expendable Trust		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ -	-	-	63,910	(253)	63,657
Expenditures	194,817	35,899	158,918	36,113	-	36,113
Net	(194,817)	(35,899)	(158,918)	27,797	(253)	27,544
Other financing sources (uses)	-	-	-	-	-	-
Beginning fund balances	198,218	35,899	162,319	183,246	-	184,818
Increase (decrease) in reserve for:						
Inventories	-	-	-	-	-	-
Prepaid expenditures	-	-	-	-	-	-
Ending fund balances	\$ 3,401	-	3,401	211,043	(253)	212,362

	Total		
	Cash	Accrual	Modified
	Basis	Adjust- ments	Accrual Basis
Revenues	\$ 6,145,099	(38,974)	6,106,125
Expenditures	6,589,217	30,320	6,619,537
Net	(444,118)	(69,294)	(513,412)
Other financing sources (uses)	11,146	-	11,146
Beginning fund balances	3,234,647	361,363	3,596,010
Increase (decrease) in reserve for:			
Inventories	-	10,799	10,799
Prepaid expenditures	-	8,289	8,289
Ending fund balances	\$ 2,801,675	311,157	3,112,832

G. Total (Memorandum Only)

The total column on the combined balance sheet and the combined statement of revenues, expenditures and changes in fund balances is captioned "Memorandum Only" to indicate that it is presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations in conformity with U.S. generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**(2) Cash and Pooled Investments**

The County's deposits in banks at June 30, 2003 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The County is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Supervisors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$4,801 pursuant to Rule 2a-7 under the Investment Company Act of 1940 and are not subject to risk categorization.

### (3) Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2003 is as follows:

Receivable Fund	Description	Amount
General	Trust and Agency:	
	County Recorder	\$ 19,305
	Auto Licence and Use Tax	<u>6,098</u>
		25,403
Special Revenue:		
County's Recorder's	Trust and Agency:	
Records Management	County Recorder	240
Trust and Agency:		
Conservation Land	Trust and Agency:	
Acquisition Trust	County Recorder	<u>20</u>
Total		<u>\$ 25,663</u>

### (4) Property and Equipment

A summary of changes in property and equipment comprising general fixed assets for the year ended June 30, 2003 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Land	\$ 313,524	-	-	313,524
Buildings	731,615	-	-	731,615
Equipment	5,170,704	386,029	277,187	5,279,546
Improvements	<u>46,170</u>	<u>2,484</u>	<u>-</u>	<u>48,654</u>
Total	<u>\$ 6,262,013</u>	<u>388,513</u>	<u>277,187</u>	<u>6,373,339</u>

**(5) Due to Other Governments**

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. The Agency Fund collections also include accruals of property tax for the succeeding year. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments is as follows:

Fund	Description	Amount
General	Services	\$ 6,057
Special Revenue:		
Secondary Roads	Services	1,786
Mental Health		59,656
		<u>61,442</u>
Trust and Agency:		
Agricultural Extension		
Education	Collections	87,456
County Assessor		176,796
Schools		4,635,780
Community Colleges		213,094
Corporations		1,472,936
Townships		182,352
Auto License and Use Tax		170,855
Special Assessments		125,618
County Hospital		773,674
All other		11,629
		<u>7,850,190</u>
Total		<u>\$ 7,917,689</u>

**(6) Changes in Long-Term Debt**

A summary of changes in long-term debt for the year ended June 30, 2003 is as follows:

	Capital Loan Notes Payable	Compensated Absences	Total
Balance beginning of year	\$ 1,270,000	99,240	1,369,240
Additions	-	7,253	7,253
Reductions	73,000	-	73,000
Balance end of year	<u>\$ 1,197,000</u>	<u>\$ 106,493</u>	<u>\$ 1,303,493</u>

**(7) Capital Loan Notes Payable**

On November 25, 1998, the County issued \$600,000 of urban renewal revenue capital loan notes. The notes bear interest at 5.25 percent per annum and mature in varying annual amounts ranging from \$31,000 to \$51,000, with final maturity in June 2011. These notes were used to plan, undertake and carry out an urban renewal project, including the purchase of water, sewer and street paving improvements.

On May 1, 2001, the County issued \$630,000 of urban renewal revenue capital loan notes. The notes bear interest at 6 percent per annum and mature in varying annual amounts ranging from \$50,000 to \$90,000, with final maturity in June 2013. The note proceeds were used to provide a grant to the Iowa Interstate Railroad for construction of a rail spur line to serve the I-80 industrial business park.

On January 18, 2002, the County issued a \$250,000 subordinate urban renewal revenue capital loan note (subordinate note). The note bears interest at 6 percent per annum with final maturity on June 1, 2013. The note proceeds were used to provide additional funds to the Iowa Interstate Railroad for construction of a rail spur line to serve the I-80 industrial business park.

A formal repayment schedule has not been established for the subordinate note. Interest is due and payable from allocable subordinate tax increment financing (TIF) revenues on June 1, 2002 and annually thereafter until the note matures on June 1, 2013. Allocable revenues are those TIF revenues remaining annually after principal and interest payments and required sinking and reserve transfers on the November 1998 and May 2001 notes are satisfied. During the year ended June 30, 2002, no interest was paid on the note as required.

Details of the County's June 30, 2003 capital loan note indebtedness is as follows:

Year Ending June 30,	Urban Renewal Revenue Notes November 25, 1998			Urban Renewal Revenue Notes May 1, 2001		
	Interest			Interest		
	Rates	Principal	Interest	Rate	Principal	Interest
2004	5.25%	\$ 46,000	16,643	6.00%	\$ 50,000	37,800
2005	5.25	48,000	14,228	6.00	50,000	34,800
2006	5.25	51,000	11,708	6.00	50,000	31,800
2007	5.25	31,000	9,030	6.00	55,000	28,800
2008	5.25	33,000	3,701	6.00	60,000	25,500
2009	5.25	34,000	5,670	6.00	60,000	21,900
2010	5.25	36,000	3,885	6.00	65,000	18,300
2011	5.25	38,000	1,995	6.00	70,000	14,400
2012		-	-	6.00	80,000	10,200
2013		-	-	6.00	90,000	5,400
Total		<u>\$ 317,000</u>	<u>66,860</u>		<u>\$630,000</u>	<u>228,900</u>

Year Ending June 30,	Total		
	Principal	Interest	Total
2004	\$ 96,000	54,443	150,443
2005	98,000	49,028	147,028
2006	101,000	43,508	144,508
2007	86,000	37,830	123,830
2008	93,000	29,201	122,201
2009	94,000	27,570	121,570
2010	101,000	22,185	123,185
2011	108,000	16,395	124,395
2012	80,000	10,200	90,200
2013	90,000	5,400	95,400
Total	<u>\$ 947,000</u>	<u>295,760</u>	<u>1,242,760</u>

During the year ended June 30, 2003, the County retired \$73,000 of urban renewal notes dated November 25, 1998.

The urban renewal notes are payable solely from the taxes paid into the Special Revenue, Stuart Urban Renewal and Stuart/Adair Rail Spur Urban Renewal Funds, respectively, pursuant to Chapter 403.19 of the Code of Iowa, and other funds derived or held in connection with the projects related to these note issues. In February 2002, the County entered into a 28E agreement with the City of Stuart in which the City agreed to provide \$14,000 annually to the County to help defray the cost of principal and interest on the notes. The notes are not a general obligation of the County. However the debt is subject to the constitutional debt limitation of the County.

The resolutions providing for the issuance of the urban renewal revenue capital loan notes include the following provisions:

- (1) Sufficient annual transfers shall be made to urban renewal project sinking funds for the purpose of making the note principal and interest payments when due.
- (2) Sufficient monthly transfers shall be made to urban renewal reserve funds until specific minimum balances have been accumulated. These accounts are restricted for the purpose of paying note principal and interest payments due when insufficient money is available in the sinking funds.
- (3) Surplus revenues that are attributable to the subordinate project area shall be deposited to a sinking fund for the purpose of making subordinate note principal and interest payments.

At June 30, 2003, the County had not established the subordinate note sinking fund as required.

#### **(8) Pension and Retirement Benefits**

The County contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the County is required to contribute 5.75% of annual covered payroll except for law enforcement employees, in which case the percentages are 5.57% and 8.05%, respectively. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2003, 2002, and 2001 were \$107,320, \$111,742, and \$110,678, respectively, equal to the required contributions for each year.

#### **(9) Risk Management**

Adair County is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool with over 400 members from various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property and inland marine. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 300 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's annual contributions to the Pool for the year ended June 30, 2003 were \$107,631.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$250,000 per claim. Claims exceeding \$250,000 are reinsured in an amount not to exceed \$2,000,000 per claim and \$5,000,000 in aggregate per year. For members requiring specific coverage from \$2,000,000 to \$15,000,000, such excess coverage is also reinsured. All property risks, including automobile physical damage, are also reinsured on an individual-member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable that such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2003, no liability has been recorded in the County's financial statements. As of June 30, 2003, settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. After the sixth year, the member is refunded 100 percent of its capital contributions. However, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The County also carries commercial insurance purchased from other insurers for coverage associated with employee blanket bonds, boiler and machinery and workers' compensation. The County assumes liability for any deductibles and claims in excess of coverage limitations. The County assumes responsibility for workers compensation and employee blanket bond claims in excess of \$1,000,000 and \$20,000 respectively. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.



**(10) Employee Health Insurance Plan**

The Adair County Employee Health Insurance Fund was established to account for the partial self funding of the county's health insurance benefit plan. The plan is funded by both employee and County contributions and is administered through a service agreement with Wellmark, Inc. The agreement is subject to automatic renewal provisions. The County assumes liability for claims up to the individual deduction limitations of \$500 and \$1,000 for single and family coverage, respectively.

Monthly payments of service fees and plan contributions to the Adair County Employee Health Insurance Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims processed are paid to Wellmark, Inc. from the Adair County Employee Health Insurance Fund. The County records the plan assets and related liabilities of the Adair County Employee Health Insurance Fund as an Internal Service Fund. The County's contribution to the fund for the year ended June 30, 2003 was \$10,956.

Amounts payable from the Adair County Employee Health Insurance Fund at June 30, 2003 total \$3,142 which is for reported but not paid claims. The County was not required to obtain an actuarial report for the period ended June 30, 2003 since their plan qualifies as a "mini plan." A liability has been established based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Information on a reconciliation of changes in the aggregate liabilities for claims for the current year is as follows:

Unpaid claims at July 1, 2002	\$ 1,964
Incurred claims (including claims incurred but not reported at June 30, 2003)	8,589
Payment on claims during the fiscal year	<u>(7,411)</u>
Unpaid claims at June 30, 2003	<u>\$ 3,142</u>

**(11) Prospective Accounting Change**

The Governmental Accounting Standards Board has issued Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Statement No. 37, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus; and Statement No. 38, Certain Financial Statement Note Disclosures. These statements will be implemented for the fiscal year ending June 30, 2004. The effects are expected to significantly impact the presentation of County's financial statements in the year of implementation. The revised requirements include using the economic resources measurement focus and full accrual accounting. Also, the revised minimum reporting requirements include Management's Discussion and Analysis to introduce the basic financial statements and to provide an analytical overview of the County's financial activities.

**Adair County**

## **Supplemental Information**

**Schedule 1**

---

## Adair County

## General Fund

## Statement of Revenues, Expenditures and Changes in Fund Balance

Year ended June 30, 2003

## Revenues:

## Property and other county tax:

Property tax	\$ 1,152,876	
Utility tax replacement excise tax	<u>64,239</u>	\$ 1,217,115

Interest and penalty on property tax		30,345
--------------------------------------	--	--------

## Intergovernmental:

## State shared revenues:

Franchise tax	10,028	
Other	<u>1,138</u>	
	<u>11,166</u>	

## State tax replacements:

State credits	88,018	
State allocation	<u>55,902</u>	
	<u>143,920</u>	

## State and federal pass-through revenues:

Human services administrative reimbursement	6,004	
Other	<u>1,689</u>	
	<u>7,693</u>	

Contributions from other intergovernmental units	<u>32,010</u>	
--------------------------------------------------	---------------	--

## State grants and entitlements:

Home care aide grant	29,585	
Public health nursing grant	12,529	
Other	<u>37,816</u>	
	<u>79,930</u>	274,719

Licenses and permits		7,162
----------------------	--	-------

## Charges for service:

Office fees and collections	68,022	
Auto license, use tax, drivers license and mailing	64,385	
Other	<u>33,061</u>	165,468

## Use of money and property:

Interest on investments	129,697	
Other	<u>4,221</u>	133,918

Other revenues and sources

Miscellaneous		<u>1,453</u>
Total revenues		<u>1,830,180</u>

## Adair County

## General Fund

## Statement of Revenues, Expenditures and Changes in Fund Balance

Year ended June 30, 2003

## Expenditures:

## Operating:

Public safety and legal services	760,795
Physical health and social services	226,891
County environment and education	235,416
Government services to residents	235,482
Administration	<u>492,307</u>
Total expenditures	<u>1,950,891</u>

Deficiency of revenues under expenditures (120,711)

## Other financing sources:

Sale of general fixed assets 11,146

Deficiency of revenues and other financing sources  
under expenditures (109,565)

Fund balance beginning of year 861,087  
Decrease in reserve for prepaid expenditures (2,247)

Fund balance end of year \$ 749,275

See accompanying independent auditor's report.

**Schedule 2**

---

## Adair County

## General Fund

## Statement of Expenditures

Year ended June 30, 2003

## Public safety and legal services:

## Law enforcement:

Uniformed patrol services	\$ 169,119
Investigations	100,819
Law enforcement communication	189,130
Adult correctional services	56,382
Administration	<u>125,379</u>
	<u>640,829</u>

## Legal services:

Criminal prosecution	91,139
Medical examinations	<u>14,591</u>
	<u>105,730</u>

## Emergency services:

Ambulance services	<u>4,350</u>
--------------------	--------------

## Assistance to district court system:

Physical operations	271
Research and other assistance	<u>3,828</u>
	<u>4,099</u>

## Court proceedings:

Juries and witnesses	278
Detention services	4,464
Service of civil papers	<u>786</u>
	<u>5,528</u>

## Juvenile justice administration:

Court-appointed attorneys and court costs for juveniles	<u>259</u>	\$ 760,795
------------------------------------------------------------	------------	------------

## Physical health and social services:

## Physical health services:

Personal and family health services	17,620
Sanitation	15,848
Health administration	<u>78,846</u>
	<u>112,314</u>

## Services to the poor:

Administration	23,256
General welfare services	<u>1,402</u>
	<u>24,658</u>

## Adair County

## General Fund

## Statement of Expenditures

Year ended June 30, 2003

## Physical health and social services (continued):

## Services to military veterans:

Administration

5,044

General services to veterans

12,26917,313

## Children's and family services:

Youth guidance

14,867

Family protective services

5,60020,467

## Services to other adults:

Services to the elderly

45,004

## Chemical dependency:

Treatment services

4,529

Preventive services

2,6067,135

226,891

## County environment and education:

## Conservation and recreation services:

Administration

65,006

Maintenance and operations

97,665162,671

## County development:

Economic development

32,945

## Educational services:

Historic preservation

4,800

Fair and 4-H clubs

17,500

Fairgrounds

17,50039,800

235,416

## Government services to residents:

## Representation services:

Elections administration

28,042

Local elections

2,25030,292

## State administrative services:

Motor vehicle registrations and licensing

103,738

Recording of public documents

101,452205,190

235,482

**Schedule 2**

---

Adair County

General Fund

Statement of Expenditures

Year ended June 30, 2003

## Administration:

## Policy and administration:

General county management	165,324	
Administration management services	73,084	
Treasury management services	89,567	
Other policy and administration	<u>22,510</u>	
	<u>350,485</u>	

## Central services:

General services	69,179	
Data processing services	<u>24,306</u>	
	<u>93,485</u>	

## Risk management services:

Tort liability	28,107	
Safety of the workplace	14,397	
Fidelity of public officials	<u>5,833</u>	
	<u>48,337</u>	<u>492,307</u>

Total

\$ 1,950,891

See accompanying independent auditor's report.



**Adair County**

Adair County  
Special Revenue Funds  
Combining Balance Sheet  
June 30, 2003

	Rural Services	Secondary Roads	Resource Enhance- ment and Protection	County Recorder's Records Management	Mental Health
<b>Assets</b>					
Cash and pooled investments	\$ 114,824	1,339,734	88,404	6,593	189,630
Receivables:					
Property tax:					
Delinquent	12,092	-	-	-	3,313
Succeeding year	891,000	-	-	-	288,000
Accounts	136	4,124	-	-	29
Accrued interest	-	-	646	-	-
Due from other funds	-	-	-	240	-
Due from other governments	-	170,773	235	-	-
Inventories	-	179,761	-	-	-
Prepaid expenditures	765	79,161	-	-	-
<b>Total assets</b>	<b>\$ 1,018,817</b>	<b>1,773,553</b>	<b>89,285</b>	<b>6,833</b>	<b>480,972</b>
<b>Liabilities and Fund Equity</b>					
Liabilities:					
Accounts payable	\$ 124	75,302	-	-	8,813
Salaries and benefits payable	6,113	41,066	-	-	857
Due to other governments	-	1,786	-	-	59,656
Deferred revenue:					
Delinquent property tax	12,092	-	-	-	3,313
Succeeding year property tax	891,000	-	-	-	288,000
Compensated absences	774	21,471	-	-	-
Total liabilities	910,103	139,625	-	-	360,639
Fund equity:					
Fund balance:					
Reserved for:					
Inventories	-	179,761	-	-	-
Prepaid expenditures	765	79,161	-	-	-
Debt service - sinking fund	-	-	-	-	-
Debt service - reserve fund	-	-	-	-	-
Unreserved	107,949	1,375,006	89,285	6,833	120,333
Total fund equity	108,714	1,633,928	89,285	6,833	120,333
<b>Total liabilities and fund equity</b>	<b>\$ 1,018,817</b>	<b>1,773,553</b>	<b>89,285</b>	<b>6,833</b>	<b>480,972</b>

See accompanying independent auditor's report.

Special Law Enforcement	Stuart Urban Renewal	Stuart Urban Renewal Reserve	Stuart/Adair Rail Spur Urban Renewal	Stuart/Adair Rail Spur Urban Renewal Sinking	Stuart/Adair Rail Spur Urban Renewal Reserve	Total
3,705	32,301	60,000	25,180	4,515	63,000	1,927,886
-	-	-	-	-	-	15,405
-	46,000	-	86,000	-	-	1,311,000
-	-	-	-	-	-	4,289
-	-	-	-	-	-	646
-	-	-	-	-	-	240
-	-	-	-	-	-	171,008
-	-	-	-	-	-	179,761
-	-	-	-	-	-	79,926
3,705	78,301	60,000	111,180	4,515	63,000	3,690,161
-	-	-	-	-	-	84,239
-	-	-	-	-	-	48,036
-	-	-	-	-	-	61,442
-	-	-	-	-	-	15,405
-	46,000	-	86,000	-	-	1,311,000
-	-	-	-	-	-	22,245
-	46,000	-	86,000	-	-	1,542,367
-	-	-	-	-	-	179,761
-	-	-	-	-	-	79,926
-	-	-	-	4,515	-	4,515
-	-	60,000	-	-	63,000	123,000
3,705	32,301	-	25,180	-	-	1,760,592
3,705	32,301	60,000	25,180	4,515	63,000	2,147,794
3,705	78,301	60,000	111,180	4,515	63,000	3,690,161

Adair County

Special Revenue Funds

Combining Statement of Revenues, Expenditures and  
Changes in Fund Balances

Year ended June 30, 2003

	Rural Services	Secondary Roads	Resource Enhance- ment and Protection	County Recorder's Records Management	Mental Health
Revenues:					
Property and other county tax:					
Property tax	\$ 832,255	-	-	-	270,849
Utility tax replacement excise tax	54,739	-	-	-	15,092
	<u>886,994</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>285,941</u>
Tax increment financing revenues	-	-	-	-	-
Intergovernmental:					
State shared revenues:					
Road use tax	-	2,334,785	-	-	-
State tax replacements:					
State tax credits	59,134	-	-	-	20,678
State allocation	20,943	-	-	-	-
Mental health property tax relief	-	-	-	-	294,109
	<u>80,077</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>314,787</u>
State and federal pass-through revenues:					
Social services block grant	-	-	-	-	35,278
Contributions from other intergovernmental units	-	10,340	-	-	148
State grants and entitlements:					
Mental health/mental retardation allocation	-	-	-	-	34,578
Mental health allowed growth factor adjustment allocation	-	-	-	-	26,685
Other	-	-	416	-	-
	<u>-</u>	<u>-</u>	<u>416</u>	<u>-</u>	<u>61,263</u>
	<u>80,077</u>	<u>2,345,125</u>	<u>416</u>	<u>-</u>	<u>411,476</u>
Licenses and permits	-	410	-	-	-
Charges for service	-	19	-	2,158	-
Use of money and property:					
Interest on investments	-	-	2,468	66	165
Other	85	-	-	-	-
	<u>85</u>	<u>-</u>	<u>2,468</u>	<u>66</u>	<u>165</u>
Miscellaneous	136	15,820	-	-	29
Total revenues	<u>967,292</u>	<u>2,361,374</u>	<u>2,884</u>	<u>2,224</u>	<u>697,611</u>

Special Law Enforce- ment	Stuart Urban Renewal	Stuart Urban Renewal Sinking	Stuart Urban Renewal Reserve	Stuart/Adair Rail Spur Urban Renewal	Stuart/Adair Rail Spur Urban Renewal Sinking	Stuart/Adair Rail Spur Urban Renewal Reserve	Total
-	-	-	-	16,363	-	-	1,119,467
-	-	-	-	-	-	-	69,831
-	-	-	-	16,363	-	-	1,189,298
-	93,929	-	-	-	-	-	93,929
-	-	-	-	-	-	-	2,334,785
-	627	-	-	147	-	-	80,586
-	-	-	-	-	-	-	20,943
-	-	-	-	-	-	-	294,109
-	627	-	-	147	-	-	395,638
-	-	-	-	-	-	-	35,278
-	52,500	-	-	14,000	-	-	76,988
-	-	-	-	-	-	-	34,578
-	-	-	-	-	-	-	26,685
-	-	-	-	-	-	-	416
-	-	-	-	-	-	-	61,679
-	53,127	-	-	14,147	-	-	2,904,368
-	-	-	-	-	-	-	410
-	-	-	-	-	-	-	2,177
45	846	-	-	2,446	-	-	6,036
-	-	-	-	-	-	-	85
45	846	-	-	2,446	-	-	6,121
-	-	-	-	-	-	-	15,985
45	147,902	-	-	32,956	-	-	4,212,288

Adair County  
Special Revenue Funds  
Combining Statement of Revenues, Expenditures and  
Changes in Fund Balances  
Year ended June 30, 2003

	Rural Services	Secondary Roads	Resource Enhance- ment and Protection	County Recorder's Records Management	Mental Health
Expenditures:					
Operating:					
Public safety and legal services:					
Emergency services:					
Emergency management	3,909	-	-	-	-
Mental health:					
Persons with mental health problems - mental illness:					
Information and education	-	-	-	-	4,002
Treatment services	-	-	-	-	35,642
Licensed or certified living arrangements	-	-	-	-	9,308
Institutional, hospital, and commitment services	-	-	-	-	18,853
	-	-	-	-	67,805
Persons with chronic mental illness:					
Coordination services	-	-	-	-	1,127
Personal and environmental support	-	-	-	-	7,530
Treatment services	-	-	-	-	13,272
Vocational and day services	-	-	-	-	22,897
Licensed or certified living arrangements	-	-	-	-	72,424
Institutional, hospital, and commitment services	-	-	-	-	5,560
	-	-	-	-	122,810
Persons with mental retardation:					
General administration	-	-	-	-	21,608
Coordination services	-	-	-	-	5,304
Personal and environmental support	-	-	-	-	13,869
Vocational and day services	-	-	-	-	104,536
Licensed or certified living arrangements	-	-	-	-	298,609
Institutional, hospital, and commitment services	-	-	-	-	77,141
	-	-	-	-	521,067
	-	-	-	-	711,682
County environment and education:					
Environmental quality:					
Weed eradication	38,363	-	-	-	-
Solid waste disposal	31,923	-	-	-	-
	70,286	-	-	-	-
Educational services:					
Libraries	23,200	-	-	-	-
	93,486	-	-	-	-

Special Law Enforce- ment	Stuart Urban Renewal	Stuart Urban Renewal Sinking	Stuart Urban Renewal Reserve	Stuart/Adair Rail Spur Urban Renewal	Stuart/Adair Rail Spur Urban Renewal Sinking	Stuart/Adair Rail Spur Urban Renewal Reserve	Total
-	-	-	-	-	-	-	3,909
-	-	-	-	-	-	-	4,002
-	-	-	-	-	-	-	35,642
-	-	-	-	-	-	-	9,308
-	-	-	-	-	-	-	18,853
-	-	-	-	-	-	-	67,805
-	-	-	-	-	-	-	1,127
-	-	-	-	-	-	-	7,530
-	-	-	-	-	-	-	13,272
-	-	-	-	-	-	-	22,897
-	-	-	-	-	-	-	72,424
-	-	-	-	-	-	-	5,560
-	-	-	-	-	-	-	122,810
-	-	-	-	-	-	-	21,608
-	-	-	-	-	-	-	5,304
-	-	-	-	-	-	-	13,869
-	-	-	-	-	-	-	104,536
-	-	-	-	-	-	-	298,609
-	-	-	-	-	-	-	77,141
-	-	-	-	-	-	-	521,067
-	-	-	-	-	-	-	711,682
-	-	-	-	-	-	-	38,363
-	-	-	-	-	-	-	31,923
-	-	-	-	-	-	-	70,286
-	-	-	-	-	-	-	23,200
-	-	-	-	-	-	-	93,486

Adair County

Special Revenue Funds

Combining Statement of Revenues, Expenditures and  
Changes in Fund Balances

Year ended June 30, 2003

	Rural Services	Secondary Roads	Resource Enhance- ment and Protection	County Recorder's Records Management	Mental Health
Expenditures (continued):					
Operating:					
Roads and transportation:					
Secondary roads administration and engineering:					
Administration	-	216,205	-	-	-
Engineering	-	137,938	-	-	-
	-	354,143	-	-	-
Roadway maintenance:					
Bridges and culverts	-	414,545	-	-	-
Roads	-	1,381,107	-	-	-
Snow and ice control	-	82,862	-	-	-
Traffic controls	-	48,864	-	-	-
Road clearing	124,327	16,640	-	-	-
	124,327	1,944,018	-	-	-
General roadway expenditures:					
Equipment	-	279,677	-	-	-
Equipment operation	-	629,155	-	-	-
Tools, materials, and supplies	-	96,309	-	-	-
Real estate and buildings	-	1,729	-	-	-
	-	1,006,870	-	-	-
	124,327	3,305,031	-	-	-
Government services to residents:					
Representation services:					
Township officials	2,409	-	-	-	-
Debt service:					
Principal redemption	-	-	-	-	-
Interest	-	-	-	-	-
Capital projects:					
Roadway construction	-	97,179	-	-	-
Conservation land acquisition	-	-	4,317	-	-
	-	97,179	4,317	-	-
Total expenditures	224,131	3,402,210	4,317	-	711,682
Excess (deficiency) of revenues over (under) expenditures	743,161	(1,040,836)	(1,433)	2,224	(14,071)
Other financing sources (uses):					
Operating transfers in (out):					
Special Revenue:					
Rural Services	-	784,248	-	-	-
Secondary Roads	(784,248)	-	-	-	-
Stuart Urban Renewal	-	-	-	-	-
Stuart Urban Renewal Sinking	-	-	-	-	-
Stuart Urban Renewal Reserve	-	-	-	-	-
Stuart/Adair Rail Spur Urban Renewal	-	-	-	-	-
Stuart/Adair Rail Spur Urban Renewal Sinking	-	-	-	-	-
Total other financing sources (uses)	(784,248)	784,248	-	-	-



Special Law Enforce- ment	Stuart Urban Renewal	Stuart Urban Renewal Sinking	Stuart Urban Renewal Reserve	Stuart/Adair Rail Spur Urban Renewal	Stuart/Adair Rail Spur Urban Renewal Sinking	Stuart/Adair Rail Spur Urban Renewal Reserve	Total
-	-	-	-	-	-	-	216,205
-	-	-	-	-	-	-	137,938
-	-	-	-	-	-	-	354,143
-	-	-	-	-	-	-	414,545
-	-	-	-	-	-	-	1,381,107
-	-	-	-	-	-	-	82,862
-	-	-	-	-	-	-	48,864
-	-	-	-	-	-	-	140,967
-	-	-	-	-	-	-	2,068,345
-	-	-	-	-	-	-	279,677
-	-	-	-	-	-	-	629,155
-	-	-	-	-	-	-	96,309
-	-	-	-	-	-	-	1,729
-	-	-	-	-	-	-	1,006,870
-	-	-	-	-	-	-	3,429,358
-	-	-	-	-	-	-	2,409
-	-	73,000	-	-	-	-	73,000
-	-	20,475	-	-	37,800	-	58,275
-	-	93,475	-	-	37,800	-	131,275
-	-	-	-	-	-	-	97,179
-	-	-	-	-	-	-	4,317
-	-	-	-	-	-	-	101,496
-	-	93,475	-	-	37,800	-	4,473,615
45	147,902	(93,475)	-	32,956	(37,800)	-	(261,327)
-	-	-	-	-	-	-	784,248
-	-	-	-	-	-	-	(784,248)
-	-	93,475	22,896	-	-	-	116,371
-	(93,475)	-	-	-	-	-	(93,475)
-	(22,896)	-	-	-	-	-	(22,896)
-	-	-	-	-	37,800	-	37,800
-	-	-	-	(37,800)	-	-	(37,800)
-	(116,371)	93,475	22,896	(37,800)	37,800	-	-

---

Adair County  
Special Revenue Funds  
Combining Statement of Revenues, Expenditures and  
Changes in Fund Balances  
Year ended June 30, 2003

	Rural Services	Secondary Roads	Resource Enhance- ment and Protection	County Recorder's Records Management	Mental Health
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(41,087)	(256,588)	(1,433)	2,224	(14,071)
Fund balances beginning of year	149,701	1,868,964	90,718	4,609	134,721
Increase (decrease) in reserve for:					
Inventories	-	10,799	-	-	-
Prepaid expenditures	100	10,753	-	-	(317)
Fund balances end of year	<u>\$ 108,714</u>	<u>1,633,928</u>	<u>89,285</u>	<u>6,833</u>	<u>120,333</u>

See accompanying independent auditor's report.

Special Law Enforce- ment	Stuart Urban Renewal	Stuart Urban Renewal Sinking	Stuart Urban Renewal Reserve	Stuart/Adair Rail Spur Urban Renewal	Stuart/Adair Rail Spur Urban Renewal Sinking	Stuart/Adair Rail Spur Urban Renewal Reserve	Total
45	31,531	-	22,896	(4,844)	-	-	(261,327)
3,660	770	-	37,104	30,024	4,515	63,000	2,387,786
-	-	-	-	-	-	-	10,799
-	-	-	-	-	-	-	10,536
3,705	32,301	-	60,000	25,180	4,515	63,000	2,147,794

**Schedule 5**

---

## Adair County

## Capital Projects Fund

Statement of Revenues, Expenditures  
and Changes in Fund Balance

Year ended June 30, 2003

	<u>Stuart/Adair Rail Spur Urban Renewal</u>
Revenues:	
None	\$ -
Expenditures:	
Capital projects:	
Other capital projects:	
Rail spur	<u>158,918</u>
Deficiency of revenues under expenditures	(158,918)
Fund balance beginning of year	<u>162,319</u>
Fund balance end of year	<u><u>\$ 3,401</u></u>

See accompanying independent auditor's report.

Adair County  
Trust and Agency Funds  
Combining Balance Sheet  
June 30, 2003

		Expendable Trust - Conservation Land Acquisition Trust	Agency	Total
<b>Assets</b>				
Cash and pooled investments:				
County Treasurer	\$	211,043	350,512	561,555
Other County officials		-	24,297	24,297
Receivables:				
Property tax:				
Delinquent		-	73,495	73,495
Succeeding year		-	7,316,000	7,316,000
Accounts		-	12	12
Special assessments		-	120,553	120,553
Accrued interest		1,299	-	1,299
Due from other funds		20	-	20
<b>Total assets</b>	<b>\$</b>	<b>212,362</b>	<b>7,884,869</b>	<b>8,097,231</b>
<b>Liabilities and Fund Equity</b>				
Liabilities:				
Accounts payable	\$	-	641	641
Salaries and benefits payable		-	856	856
Due to other funds		-	25,663	25,663
Due to other governments		-	7,850,190	7,850,190
Trusts payable		-	5,815	5,815
Compensated absences		-	1,704	1,704
Total liabilities		-	7,884,869	7,884,869
Fund equity:				
Unreserved fund balance		212,362	-	212,362
<b>Total liabilities and fund equity</b>	<b>\$</b>	<b>212,362</b>	<b>7,884,869</b>	<b>8,097,231</b>

See accompanying independent auditor's report.

Adair County  
Expendable Trust Fund  
Statement of Revenues, Expenditures  
and Changes in Fund Balance  
Year ended June 30, 2003

	<u>Conservation Land Acquisition Trust</u>
Revenues:	
Intergovernmental:	
State grants and entitlements:	
Other	<u>\$     36,150</u>
Charges for service	<u>55</u>
Use of money and property:	
Interest on investments	4,375
Land rental	<u>4,077</u>
	<u>8,452</u>
Miscellaneous:	
Donations	<u>19,000</u>
Total revenues	63,657
Expenditures:	
Capital projects:	
Conservation land acquisition	<u>36,113</u>
Excess of revenues over expenditures	27,544
Fund balance beginning of year	<u>184,818</u>
Fund balance end of year	<u><u>\$     212,362</u></u>

See accompanying independent auditor's report.

**Adair County**

Adair County  
Agency Funds  
Combining Balance Sheet  
June 30, 2003

	County Recorder's Office	Agricultural Extension Education	County Assessor
<b>Assets</b>			
Cash and pooled investments:			
County Treasurer	\$ -	1,521	33,995
Other County officials	24,297	-	-
Receivables:			
Property tax:			
Delinquent	-	935	1,579
Succeeding year	-	85,000	144,000
Accounts	12	-	-
Special assessments	-	-	-
<b>Total assets</b>	<u>\$ 24,309</u>	<u>87,456</u>	<u>179,574</u>
<b>Liabilities</b>			
Accounts payable	\$ -	-	218
Salaries and benefits payable	-	-	856
Due to other funds	19,565	-	-
Due to other governments	4,744	87,456	176,796
Trusts payable	-	-	-
Compensated absences	-	-	1,704
<b>Total liabilities</b>	<u>\$ 24,309</u>	<u>87,456</u>	<u>179,574</u>



Schools	Community Colleges	Corpor- ations	Townships	Auto License and Use Tax
83,745	3,744	16,177	3,168	176,953
-	-	-	-	-
52,035	2,350	5,759	2,184	-
4,500,000	207,000	1,451,000	177,000	-
-	-	-	-	-
-	-	-	-	-
<u>4,635,780</u>	<u>213,094</u>	<u>1,472,936</u>	<u>182,352</u>	<u>176,953</u>
-	-	-	-	-
-	-	-	-	-
-	-	-	-	6,098
4,635,780	213,094	1,472,936	182,352	170,855
-	-	-	-	-
-	-	-	-	-
<u>4,635,780</u>	<u>213,094</u>	<u>1,472,936</u>	<u>182,352</u>	<u>176,953</u>

Adair County  
Agency Funds  
Combining Balance Sheet  
June 30, 2003

	Brucellosis and Tuberculosis Eradication	Emergency Management Services	Special Assess- ment
<b>Assets</b>			
Cash and pooled investments:			
County Treasurer	24	5,908	5,065
Other County officials	-	-	-
Receivables:			
Property tax:			
Delinquent	16	-	-
Succeeding year	1,000	-	-
Accounts	-	-	-
Special assessments	-	-	120,553
<b>Total assets</b>	<u>1,040</u>	<u>5,908</u>	<u>125,618</u>
<b>Liabilities</b>			
Accounts payable	-	63	-
Salaries and benefits payable	-	-	-
Due to other funds	-	-	-
Due to other governments	1,040	5,845	125,618
Trusts payable	-	-	-
Compensated absences	-	-	-
<b>Total liabilities</b>	<u>1,040</u>	<u>5,908</u>	<u>125,618</u>

See accompanying independent auditor's report.

County Hospital	Tax Sale Redemp- tion	Advance Tax	Flex Benefit	Total
14,037	2,730	1,287	2,158	350,512
-	-	-	-	24,297
8,637	-	-	-	73,495
751,000	-	-	-	7,316,000
-	-	-	-	12
-	-	-	-	120,553
<u>773,674</u>	<u>2,730</u>	<u>1,287</u>	<u>2,158</u>	<u>7,884,869</u>
-	-	-	360	641
-	-	-	-	856
-	-	-	-	25,663
773,674	-	-	-	7,850,190
-	2,730	1,287	1,798	5,815
-	-	-	-	1,704
<u>773,674</u>	<u>2,730</u>	<u>1,287</u>	<u>2,158</u>	<u>7,884,869</u>

Adair County  
Agency Funds  
Combining Statement of Changes in Assets and Liabilities  
All Agency Funds  
Year ended June 30, 2003

	<u>County Offices</u>		Agricultural
	County	County	Extension
	Recorder	Sheriff	Education
<b>Assets and Liabilities</b>			
Balances beginning of year	\$ 16,777	-	82,439
Additions:			
Property and other County tax	-	-	85,559
State tax credits	-	-	5,841
Office fees and collections	129,239	17,141	-
Auto licenses, use tax and postage	-	-	-
Assessments	-	-	-
Trusts	-	31,711	-
Miscellaneous	-	-	-
Total additions	129,239	48,852	91,400
Deductions:			
Agency Remittances:			
To other funds	57,487	16,854	-
To other governments	64,220	287	86,383
Trusts paid out	-	31,711	-
Total deductions	121,707	48,852	86,383
Balances end of year	\$ 24,309	-	87,456

County Assessor	Schools	Community Colleges	Corpor- ations	Townships	Auto License and Use Tax
170,992	4,562,248	204,548	1,435,886	172,908	162,762
144,649	4,516,663	207,621	1,406,543	176,603	-
9,857	322,633	14,459	100,034	12,157	-
-	-	-	-	-	-
-	-	-	-	-	1,814,921
-	-	-	-	-	-
-	-	-	-	-	-
2,544	-	-	-	-	-
157,050	4,839,296	222,080	1,506,577	188,760	1,814,921
-	-	-	-	-	64,048
148,468	4,765,764	213,534	1,469,527	179,316	1,736,682
-	-	-	-	-	-
148,468	4,765,764	213,534	1,469,527	179,316	1,800,730
179,574	4,635,780	213,094	1,472,936	182,352	176,953

Adair County  
Agency Funds  
Combining Statement of Changes in Assets and Liabilities  
All Agency Funds  
Year ended June 30, 2003

	Brucellosis and Tuberculosis Eradication	Emergency Management Services	Special Assess- ments
<b>Assets and Liabilities</b>			
Balances beginning of year	1,029	4,980	39,312
Additions:			
Property and other county tax	1,310	-	-
State tax credits	94	-	-
Office fees and collections	-	-	-
Auto licenses, use tax and postage	-	-	-
Assessments	-	-	102,164
Trusts	-	-	-
Miscellaneous	-	8,703	-
Total additions	1,404	8,703	102,164
Deductions:			
Agency Remittances:			
To other funds	-	-	-
To other governments	1,393	7,775	15,858
Trusts paid out	-	-	-
Total deductions	1,393	7,775	15,858
Balances end of year	1,040	5,908	125,618

See accompanying independent auditor's report.

County Hospital	Tax Sale Redemption	Anatomical Gift Donations	Advance Tax	Flex Benefit	Total
762,731	328	-	2,856	-	7,619,796
753,880	-	-	-	-	7,292,828
53,917	-	-	-	-	518,992
-	-	-	-	-	146,380
-	-	-	-	-	1,814,921
-	-	-	-	-	102,164
-	65,682	-	-	-	97,393
-	-	108	-	3,088	14,443
807,797	65,682	108	-	3,088	9,987,121
-	-	-	-	-	138,389
796,854	63,280	-	-	-	9,549,341
-	-	108	1,569	930	34,318
796,854	63,280	108	1,569	930	9,722,048
773,674	2,730	-	1,287	2,158	7,884,869

**Schedule 10**

## Adair County

## Comparison of Taxes and Intergovernmental Revenues

	Years ended June 30,			
	2003	2002	2001	2000
Taxes:				
Property tax	\$ 2,272,343	2,170,571	1,704,541	1,696,082
Utility tax replacement excise tax	134,070	129,529	104,197	-
Other	-	2,260	2,498	-
	<u>2,406,413</u>	<u>2,302,360</u>	<u>1,811,236</u>	<u>1,696,082</u>
Tax increment financing revenues	93,929	63,977	46,175	910
Intergovernmental:				
State shared revenues:				
Road use tax	2,334,785	2,346,755	2,250,406	2,283,131
Other	11,166	16,467	16,858	17,560
State tax replacements:				
State tax credits	168,604	165,613	153,532	145,572
State allocation	76,845	80,967	86,581	86,831
Mental health property tax relief	294,109	294,108	294,109	294,109
State and federal pass-through revenues:				
Highway planning and construction grants	-	-	-	154,267
Social services block grant	35,278	40,407	41,810	43,433
Western Iowa hungry canyons (Loess Hills)	-	-	-	20,000
Other	7,693	-	-	-
Direct federal grants and entitlements:				
Watershed protection and flood prevention	-	-	-	307,436
Western Iowa hungry canyons	-	-	-	80,000
Contributions from other intergovernmental units	108,998	299,394	171,671	163,044
State grants and entitlements:				
Mental health/mental retardation allocation	34,578	24,488	61,393	56,725
Mental health allowed growth factor adjustment allocation	26,685	-	39,437	37,818
Other	<u>116,496</u>	<u>86,478</u>	<u>119,236</u>	<u>136,497</u>
	<u>3,215,237</u>	<u>3,354,677</u>	<u>3,235,033</u>	<u>3,826,423</u>
Total	<u>\$ 5,715,579</u>	<u>5,525,248</u>	<u>5,092,444</u>	<u>5,522,505</u>

See accompanying independent auditor's report.





## OFFICE OF AUDITOR OF STATE STATE OF IOWA

David A. Vaudt, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

### Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting

To the Officials of Adair County:

We have audited the general purpose financial statements of Adair County, Iowa, as of and for the year ended June 30, 2003, and have issued our report thereon dated September 16, 2003. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

#### Compliance

As part of obtaining reasonable assurance about whether Adair County's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance that are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2003 are based exclusively on knowledge obtained from procedures performed during our audit of the general purpose financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have been resolved except for item (5).

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Adair County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Adair County's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item (A) is a material weakness. Prior year reportable conditions have been resolved except for items (A) and (B).

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Adair County and other parties to whom Adair County may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Adair County during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

September 16, 2003

Adair County

Schedule of Findings

Year ended June 30, 2003

**Findings Related to the General Purpose Financial Statements:**

**INSTANCES OF NON-COMPLIANCE**

No matters were noted.

**REPORTABLE CONDITIONS:**

- (A) Segregation of Duties – During our review of internal control, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the County's financial statements. The following were noted in the County Treasurer's Office:

- Bank accounts were not reconciled promptly at the end of each month by an individual who does not sign checks, handle or record cash.
- Incoming mail was not opened by an employee who is not authorized to make entries to the accounting records.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, the County Treasurer should review the operating procedures of the office to obtain the maximum internal control possible under the circumstances.

Response – I, the County Treasurer, will review the operating procedures with consideration of greater internal control. This office will conduct periodic listing of cash and checks received by mail and reconcile the list to the daily records, as recommended. Given the small staff, to best serve the public, each worker must be able to sign checks and handle and record cash. Bank account statements will be reconciled by one individual, usually the Treasurer, and will be thoroughly reviewed by another employee using a random selection of employees.

Conclusion – Response accepted.

- (B) Information Systems – The following weaknesses in the County's computer based systems were noted:

- Computer passwords are shared and are not required to be changed. Also, there is no written policy prohibiting the sharing of passwords and password history is not utilized.
- User profiles are not reviewed and User IDs are not removed or changed after an employee is terminated or changes duties.
- Users are not restricted to programs for which they have legitimate need.

Recommendation – The County should develop written policies addressing the above items in order to improve the County's control over computer based systems.

Response – County will review current policies.

Conclusion – Response accepted.

Adair County

Schedule of Findings

Year ended June 30, 2002

- (C) Receipts - Supporting documentation for certain receipts is not maintained by the County Treasurer. Also, voided receipts and related documentation were not retained.

Recommendation - Supporting documentation for all receipts should be maintained. Voided receipts and related supporting documentation should be retained.

Response - This office started keeping duplicate copies of receipts in August 2003. We started keeping supporting documents for all receipts and voided receipts in September 2003. This will continue to be standard procedure for this Treasurer's office in the future.

Conclusion - Response accepted.

Adair County

Schedule of Findings

Year ended June 30, 2003

**Other Findings Related to Required Statutory Reporting:**

- (1) Official Depositories – A resolution naming official depositories has been adopted by the Board. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2003.
- (2) Certified Budget – Disbursements during the year ended June 30, 2003 did not exceed amounts budgeted.
- (3) Questionable Expenditures – No expenditures that we believe may not meet the requirements of public purpose as defined in the Attorney General's opinion dated April 25, 1979 were noted.
- (4) Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- (5) Business Transactions – Business transactions between the County and County officials or employees are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
Roger Frese, husband of General Relief Director, co-owner of Bridgewater Oil	Repair Diesel fuel and supplies	\$ 515 15,474
Gary Finck, Dispatcher	Snow removal	100
Loretta Grasty, wife of Robert Grasty, County Supervisor	Mental health class instructor	559
John Gruss, Conservation Board Member, owner of Schultz Plumbing and Heating	Hydrant	89
Joe Marchant, brother of County Sheriff	Mileage to conduct training for reserve officers	104
Kevin Veon, brother of Deputy Sheriff	Alcohol sales compliance	64
Polli Critz, wife of Deputy Sheriff	Transportation of prisoners	120

In accordance with Chapter 331.342(10) of the Code of Iowa, the repair by Bridgewater Oil and the transactions with Gary Finck, Loretta Grasty, Schultz Plumbing and Heating, Joe Marchant, Kevin Veon and Polli Critz do not appear to represent a conflict of interest since total transactions were less than \$1,500 during the fiscal year.

In the opinion of the County Attorney, the purchase of diesel fuel and supplies from Bridgewater Oil may represent a conflict of interest in accordance with Chapter 331.342(4) of the Code of Iowa since the contracts were not entered into through competitive bidding.

Recommendation – The County should comply with Chapter 331.342(4) of the Code of Iowa.

Adair County

Schedule of Findings

Year ended June 30, 2003

Response – The County will consult with the County Attorney and bid the products if possible.

Conclusion – Response accepted.

- (6) Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of surety bond coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- (7) Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- (8) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the County's investment policy were noted.
- (9) Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).
- (10) Capital Loan Note – The County did not make the required interest payments on the subordinate urban renewal revenue capital loan note (subordinate note).

Recommendation – The County should make the required payments for the urban renewal revenue capital loan note.

Response – The County has contacted bond counsel and the attorney for WAUSAU. A payment has been determined and will be made September 24, 2003. In the future, the County will make the required payments. The County did not have a re-payment schedule in place previously.

Conclusion – Response accepted.

- (11) Revenue Notes – The County has not established the subordinate note sinking fund as required by provisions of the subordinate urban renewal revenue capital loan note (subordinate note).

Recommendation – The County should establish the sinking fund as required by the subordinate note provisions.

Response – County will consult with bond counsel.

Conclusion – Response accepted.

- (12) Rural Services Fund – An expenditure of \$3,909 was made to the Adair County Emergency Management Commission from the Rural Services Fund. Chapter 331.427(2)(a) of the Code of Iowa requires that this expenditure be paid from the General Fund, not from the Rural Services Fund.

Recommendation – The County should transfer \$3,909 from the General Fund to the Rural Services Fund. Future joint emergency management commission expenditures should be paid from the General Fund.

Adair County

Schedule of Findings

Year ended June 30, 2003

Response – The County will transfer the funds from the General Fund to the Rural Services Fund.

Conclusion – Response accepted.

- (13) County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by extension council separate and distinct from County operations and consequently, is not included in Exhibits A or B.

Disbursements during the year ended June 30, 2003 for the County Extension office did not exceed the amount budgeted.

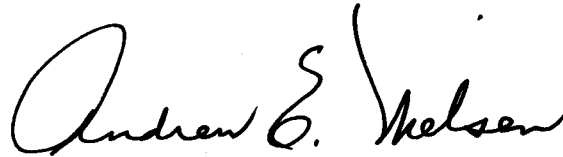
---

Adair County

Staff

This audit was performed by:

Marlys K. Gaston, CPA, Manager  
Randi J. Rowedder, CPA, Senior Auditor II  
Jeremy J. Howard, CPA, Staff Auditor  
M. Crystal Berg, CPA, Staff Auditor  
Sheila M. Jensen, Assistant Auditor

A handwritten signature in black ink, reading "Andrew E. Nielsen". The signature is written in a cursive style with a large, looping initial 'A' and a distinct 'E'.

Andrew E. Nielsen, CPA  
Deputy Auditor of State